

Message Text

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PAGE 01 GENEVA 09560 01 OF 02 231321Z
ACTION STR-07

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02
SOE-02 OMB-01 DOE-15 AF-10 ARA-10 NEA-11 OIC-02
/169 W

-----028600 231357Z /47

R 231308Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 1252
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 09560

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT
SUBJECT: GATT WORKING PARTY ON SPECIFIC DUTIES
REF: STATE 156039

1. IN LARGELY PROCEDURAL SESSION SUBJECT WORKING PARTY
MET JUNE 21 TO ESTABLISH WORK PROGRAM. AS INSTRUCTED
REFTEL WE RECOMMENDED THAT WORKING PARTY SHOULD CONCEN-
TRATE ON LIST OF QUESTIONS IN TPSC 78-79 AND
THAT PURPOSE OF WORKING PARTY SHOULD BE TO ESTABLISH
GUIDELINES FOR APPLICATION GATT ARTICLE II:6(A) IN
CURRENT MONETARY SITUATION.

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PAGE 02 GENEVA 09560 01 OF 02 231321Z

2. EC DEL (KLARIC) SAID THAT EC DOES NOT NECESSARILY
AGREE WITH THOSE WHO BELIEVE THAT ARTICLE II:6(A) SHOULD
BE APPLIED IN THE CURRENT MONETARY SYSTEM. HE REPEATED
EC BELIEF THAT IT WOULD BE PREFERABLE TO CONVERT ALL
SPECIFIC RATES TO AD VALOREM EQUIVALENTS, USING
NEGOTIATIONS UNDER ARTICLE XXVIII, PERHAPS WITH SPECIAL

PROVISIONS FOR DEVELOPING COUNTRIES. NEVERTHELESS, HE THOUGHT THE OUTLINE PROPOSED BY U.S. WAS SATISFACTORY, AND SAID THAT FIVE QUESTIONS EC HAD PLANNED TO PROPOSE WERE INCLUDED AMONG THOSE SUGGESTED BY U.S. HE RECOMMENDED THAT IMF PREPARE DETAILED WRITTEN STATEMENT ON ALL ISSUES FOR SUBMISSION TO THE WORKING PARTY BEFORE ITS NEXT MEETING. WE ARGUED THAT IMF SHOULD LIMIT ITSELF TO THE QUESTION OF MEASURING EXCHANGE RATE CHANGES AND OTHER MATTERS OF A TECHNICAL NATURE POINTING OUT THAT OUR QUESTIONS HAD BEEN DESIGNED FOR THE WORK OF THE WORKING PARTY AND NOT FOR THE IMF. THE SWISS AGREED THAT IMF SHOULD LIMIT ITSELF TO TECHNICAL MATTERS AND STATED THEIR PREFERENCE FOR AN ORAL STATEMENT BY THE IMF AT THE NEXT MEETING. CANADA, HOWEVER, THOUGHT A WRITTEN STATEMENT WOULD BE USEFUL. THE IMF REP SAID THAT IT WAS HIS INTENTION NOT RPT NOT TO GIVE A WRITTEN STATEMENT BUT TO RESPOND TO SPECIFIC QUESTIONS THAT WERE ADDRESSED TO THE IMF. HE SAID, HOWEVER, HE WOULD REPORT THE DESIRES OF CERTAIN DELEGATIONS TO WASHINGTON. EC APPARENTLY BACKED DOWN BY SAYING THAT IT WOULD KEEP A RECORD OF IMF RESPONSES TO QUESTIONS, THEREBY ASCERTAINING THE POSITION OF THE IMF ON THIS MATTER.

3. CANADA INDICATED IT HAD AN OPEN MIND ON QUESTION OF SPECIFIC RATE ADJUSTMENTS BUT AT THIS POINT COULD NOT SAY HOW ARTICLE II:6(A) COULD APPLY IN THE CURRENT MONETARY SITUATION. CAN DEL THOUGHT THE PRINCIPAL LIMITED OFFICIAL USE

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PAGE 03 GENEVA 09560 01 OF 02 231321Z

QUESTION WAS "WHAT IS A SUFFICIENT DEVALUATION?" AND "AGAINST WHAT BASE IN THE CURRENT SYSTEM SHOULD IT BE MEASURED?" AS FOR GUIDELINES FOR THE USE OF ARTICLE II:6(A), HE THOUGHT IT WAS TOO EARLY TO THINK ABOUT THESE ALTHOUGH HE DID NOT RULE OUT SUCH GUIDELINES. JAPANESE DEL SAID THAT WHATEVER IS DECIDED, WE SHOULD BE VERY CAREFUL NOT TO NULLIFY OR IMPAIR CONCESSIONS GRANTED UNDER ARTICLE II OF THE GATT. AUSTRALIA SAID THE WORKING PARTY SHOULD ADDRESS TWO QUESTIONS: (A) THE PRINCIPLE THAT II:6(A) SHOULD APPLY UNDER THE CURRENT SYSTEM OF EXCHANGE RATES AND (B) HOW TO REACTIVATE ARTICLE II:6(A) IN THE CURRENT CIRCUMSTANCES. AUSTRALIAN DEL ALSO NOTED IMF'S WORK ON EFFECTIVE EXCHANGE RATE MOVEMENTS AND EXPRESSED HOPE THAT IMF WOULD REPORT ON THIS SYSTEM TO THE WORKING PARTY. HE ADDED, EVEN IF THERE IS AN AGREEMENT ON THE APPROPRIATE MEASUREMENT FOR DETERMINING DEPRECIATION, THAT THERE MAY STILL BE A PROBLEM IN APPLYING ARTICLE II:6(A) BECAUSE OF THE PROBLEMS CAUSED BY CHANGES IN BILATERAL RATES IN A SYSTEM OF FLOATING EXCHANGE RATES.

4. SWISS DEL SAID THAT SWITZERLAND HAD NOT YET DETERMINED A POSITION ON SUBJECT ALTHOUGH HE AGREED WITH U.S. OUTLINE OF WORK PROGRAM. HE DISAGREED, HOWEVER, WITH QUESTIONS U.S. HAD SUGGESTED RELATING TO THE APPLICATION OF II:6(A) IN CASES WHERE CURRENCIES APPRECIATE. HE THOUGHT THAT THIS QUESTION WAS OUTSIDE TERMS OF REFERENCE OF THE WP. WE ARGUED THAT QUESTIONS CERTAINLY WERE RELEVANT TO WORK OF WP IN THE CHANGED MONETARY SYSTEM, AND EC SAID THAT IT WAS DIFFICULT TO ASSESS APPLICABILITY OF QUESTION WITHOUT KNOWING RESPONSES TO SOME OF THE OTHER QUESTIONS.

5. COMMITTEE FINALLY AGREED TO CHAIRMAN'S SUGGESTION THAT SECRETARIAT CIRCULATE A LIST OF QUESTIONS RAISED IN WP WHICH WOULD BE TERMED "INDICATIVE," THAT ADDITIONAL LIMITED OFFICIAL USE

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PAGE 04 GENEVA 09560 01 OF 02 231321Z

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PAGE 01 GENEVA 09560 02 OF 02 231322Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 09560

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QUESTIONS COULD BE ADDED BY MEMBERS, THAT IMF WOULD
BE INVITED TO CONSULT AND PARTICIPATE IN WP, AND THAT
THE COMMITTEE WOULD MEET IN LATE SEPTEMBER OR EARLY
OCTOBER TO TAKE UP THE QUESTIONS CONTAINED IN THE
SECRETARIAT DOCUMENT. SORENSON

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